APPENDIX A

ORDER DENYING DISQUALIFICATION AND REHEARING

I. Background

This is an action on a trademark infringement. The plaintiff's attorneys are the law firm of Smathers & Thompson. The defendants seek to disqualify the law firm of Smathers & Thompson from representing the plaintiff in this matter because Smathers & Thompson have twice before represented the defendants in patent infringement cases, including the defense of a suit brought by the plaintiff.

The defendants have local counsel and Hyman F. Glass, an attorney from Alexandria, Virginia. Mr. Glass was also co-counsel with Smathers & Thompson for the two prior cases.

This case was initially assigned to Chief Judge David W. Dyer. Before being appointed to the bench, Judge Dyer was a member of the law firm of Smathers & Thompson, then known as Smathers, Thompson & Dyer. In fact Judge Dyer personaly represented the defendants in one of the patent cases. When the motion to disqualify the law firm of Smathers & Thompson was filed, Judge Dyer recused himself and this case was reassigned to me.

While I would normally not bear such a motion as this one on one day's notice, I did so because of several unusual factors. Since testimony would be required, it was necessary to set a time which would not conflict with the Court's trial calendar. In addition, Mr. Glass was currently in Miami, and with the airline strike still in progress, it was uncertain if Mr. Glass could easily return to Miami for a hearing. The hearing was thus held with the understanding that if the defendants presented a prima facie case that Smathers & Thompson should be disqualified, Smathers & Thompson would still have an opportunity to refute the charge at a subsequent time if they were not fully prepared at the hearing.

II. General Law

Specifically, Smathers & Thompson are charged with violating the attorneys Canons of Professional Ethics numbers 6 and 37 adopted by the American Bar Association and The Florida Bar. (See Appendix.) Since it is not alleged by defendants that Smathers & Thompson acted intentionally or with malice, there is no issue that this Court should exercise disciplinary authority over members of the bar of this Court. Nor is this Court in a position to act, as would the Florida courts, to enforce the Canons through disciplinary proceedings. This Court, however, does have jurisdiction to see that in a particular law suit all parties are represented by counsel in a proper manner. *United States* v. *Trafficante,* 328 F. 2d 117 (5 Cir. 1964).

Counsel for defendants have ably presented the applicable law to the Court, and the Court agrees with defendants on the law. To summarize briefly, Canons 6 and 37 are violated even though precise knowledge was not obtained in the prior representation that is to be used in the subsequent litigation, substantially related matters must be involved, and it is not necessary that in the subsequent litigation the law firm intended to use prior acquired knowledge or are even aware that there was a prior representation by the law firm.

The two federal cases heavily relied on by defendants are *United States* v. *Trafficante, supra,* and *T. C. Theatre Corp.* v. *Warner Bros. Pictures, Inc.,* 113 F. Supp. 265 (S. D. N. Y. (1953)). In *Trafficante* the federal government sued the defendant to enforce federal tax liens. Defendant's attorney had formerly been employed in the office of Regional Counsel of the Internal Revenue Service. While with the Internal Revenue Service defendant's attorney handled the tax claims against the defendant which were part of the current suit. The Fifth Circuit found that it was improper for defendant's attorney to now

represent the defendant in matters which were the same as those in which defendant's attorney represented the government against the same defendant.

In the *Theatre* case the court found it improper for plaintiff's attorney to represent the plaintiff in a private anti-trust action, when the plaintiff's attorney had previously represented the defendant on appeal from a government anti-trust action. The private suit was based upon the government's prior anti-trust conspiracy suit. On the other hand, the court did not find it improper for another of plaintiff's attorneys to represent plaintiff. In the second situation, plaintiff's attorney also represented the attorney of the first situation for attorney fees owed by defendant for legal services performed on appeal of the government anti-trust case. The court did not find anything in the record to show that it was necessary for the first attorney to disclose any confidential information to the second attorney on a suit for attorney fees. These were unrelated matters.

It appears from the *Trafficante* and *Theatre* cases that an attorney will be disqualified by the court when there is a "turnabout" situation. In other words, it is improper for an attorney who first represented one client and then represents a second client in a matter adversely affecting the first client in a suit where the issues are almost identical to the first representation.

III. Facts

At the hearing on defendants' motion the factual issue to be determined was whether plaintiff's attorneys are now adversely representing similar issues which they had previously litigated on behalf of the defendants.

The defendant Uniweld Products, Inc., had prior to 1961 used the name Universal Cutting & Welding Equipment Corp. David S. Pearl is now and has always been the

President of Uniweld and the former Universal. In 1959, Universal was sued by the plaintiff for a patent infringement of a gas pressure regulator. Mr. Pearl retained Mr. Glass as counsel. Smathers & Thompson was retained to act as local co-counsel. Judge Dyer and Louis S. Bonsteel acted on behalf of Smathers & Thompson. This case was settled in 1960 with plaintiff securing an injunction against defendant until the patent expired in 1973.

Mr. Pearl testified that he disclosed confidences and trade secrets to Messrs. Dyer and Bonsteel. But on further examination, Mr. Pearl was unable to be specific as to what trade secrets. At best he mentioned his catalogue, but pointed out that the catalogue as such was not a trade secret. Mr. Pearl stated that he never discussed his trademark with any member of Smathers & Thompson and never has Smathers & Thompson on a retainer.

In 1963, Uniweld was sued by Harris Calorific Co. for a patent infringement on torches and Mr. Glass and Smathers & Thompson were retained for that suit. Mr. Bonsteel represented Smathers & Thompson. At the hearing it was unclear as to the disposition of that case, but it did not appear to be active.

Defendants' attorneys pointed out that the prior files of Smathers & Thompson were used in the instant case because the address of Ephraim Werner, one of the defendants, is given in the complaint as 50 Freeport Road, Fort Lauderdale, Florida. Mr. Werner's correct address is Pittsburgh, Pennsylvania. The incorrect address had also been used in the 1959 patent suit.

The complaint in the instant case was filed by Hervey Yancey of Smathers & Thompson. Mr. Yancy was unaware at the time of filing the complaint that Smathers & Thompson had previously represented the defendants. Mr. Yancey was unaware how his secretary secured the address for Mr. Werner. Mr. Bonsteel was unaware that Mr. Yancy had filed a complaint against the defendants.

Since the instant case involves a trademark infringement used in connection with defendants' carbonic gas equipment, and the prior cases involved patent infringements on other products, the Court is unable to accept defendants' position that the same matters are involved. Furthermore, plaintiff still has an enforceable injunction against the defendants arising from the patent suit. If the same matters are involved, plaintiff's course of action would be to enforce that injunction instead of instituting a new suit.

It also appears from the hearing that Mr. Glass is and always has been the defendants' patent and trademark attorney. Smathers & Thompson were acting as local counsel. The defendants now have two other local counsel. If any trade secrets have been related to counsel it has been to Mr. Glass and not Smathers & Thompson.

In light of the facts of this case, to hold for the defendants would mean that under no circumstances could an attorney, once he represented someone, ever appear adversely to that same person. That is not the law or the meaning of the Canons.

IV. Rehearing

The defendants have made a motion for a rehearing. This was heard three weeks after the original hearing. The defendants offered no new evidence that had not been presented at the hearing. On the other hand, Smathers & Thompson presented affidavits which have been made part of the record which show that no improprieties have been exercised by Smathers & Thompson. The affidavits also show that the Harris Calorific Co. patent case was closed in 1964. In addition, affidavits of one of Mr. Yancey's associates and his secretary show that the incorrect address of Mr. Werner was secured from the 1965 Corporation Report and Tax Return for Foreign and Domestic Corporations filed with the Florida Secretary of State. A certified copy of that report was also filed.

If there were any doubts at the hearing that Smathers & Thompson should be representing plaintiff, these are now simply resolved. It is the finding of this Court that Smathers & Thompson is qualified to represent the plaintiff in this case and has at all times material herein acted within the meaning and spirit of Canons 6 and 37.

Defendants have orally requested that this Court certify this issue to the Fifth Circuit. The Court can see no reason to do this. The law is clear on the subject. This Court has made a factual determination based on a full hearing.

It is, therefore, ORDERED and ADJUDGED that:

(1) Defendants' motion to disqualify and to remove the law firm of Smathers & Thompson from this case be and it is denied.

(2) Defendants' motion for a rehearing be and it is denied.

(3) Defendants' motion for a certified question be and it is denied.

DONE and ORDERED at Miami, Florida, this 14th day of September, 1966.

W. O. MEHRTENS
United States District Judge

I certify the foregoing to be a true and correct copy of the original which has been filed of record in this Office.

JOSEPH I. BOGART, *Clerk.*
United States District Court
Southern District of Florida

By s/ RUTH M. WOOD
Deputy Clerk

(Seal)

APPENDIX B

IN THE UNITED STATES COURT OF APPEALS
FOR THE FIFTH CIRCUIT

No. 24355

UNIWELD PRODUCTS, INC., DAVID S. PEARL and EPHRAIM WERNER, *Appellants*,

v.

UNION CARBIDE CORPORATION, *Appellee*.

Appeal from the United States District Court for the Southern District of Florida.

(August 15, 1967.)

Before WASHINGTON,* TUTTLE and SIMPSON, Circuit Judges.

TUTTLE, Circuit Judge: This is an interlocutory appeal from the denial by the trial court of a motion entered by the appellants here, the defendants in a suit in the Southern District of Florida, to disqualify a law firm of Miami, Florida, from representing the plaintiff on the ground that such representation offends the ethical standards set out in Canons 6 and 37, of the Canons of Professional Ethics.[1]

* Senior Circuit Judge of the D. C. Circuit, sitting by designation.

[1] The Canons referred to are as follows:

"6. Adverse Influences and Conflicting Interests. . . . The obligation to represent the client with undivided fidelity and not to divulge his secrets or confidences forbids also the subsequent

The underlying action here is a suit for trademark infringement and unfair competition brought by *Union Carbide* v. *Uniweld Products, Inc.*, and its president, David S. Pearl. The claimed disqualification rests upon the prior representations of the present defendants by the firm of Smathers and Thompson in two cases involving claims of patent infringement and unfair competition. In 1959, Union Carbide Corporation, (the plaintiff here) filed a complaint charging Uniweld (then known by its previous name, Universal Cutting & Welding Corporation), its President Pearl, and others, charging patent infringement and unfair competition. The defendants retained Honorable David W. Dyer, then a partner in the firm of Smathers, Thompson and Dyer, to represent them. After Judge Dyer's appointment to the bench, the representation was continued by another partner in the firm, Louis S. Bonsteel. A consent judgment was entered in this action in 1960, and jurisdiction was retained by the court for the purpose of enforcing compliance with the judgment. The last activity undertaken by the firm with respect to this suit was the delivery of certain exhibits back to the defendants in September, 1964.

In October, 1962, Pearl consulted the Smathers firm on another matter involving charges of unfair competition

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acceptance of retainers for employment from others in matters adversely affecting any interest with respect to which confidence has been reposed."

"37. Confidence of a Client. It is the duty of a lawyer to preserve his client's confidence. This duty outlasts the lawyer's employment and extends as well to his employees; and neither of them should accept employment which involves or may involve the disclosure or use of these confidences, either for the private advantage of the lawyer or his employees or to the disadvantage of the client, without his knowledge and consent, and even though there are other available sources of such information. A lawyer should not continue employment when he discovers that this obligation prevents the performance of his full duty to his former or to his new client."

being made by the Harris Calorific Company. This matter did not reach the litigation state. Negotiations were undertaken and a conference was eventually held in March, 1963, at which the defendants were represented by Mr. Bonsteel. The record discloses that the correspondence between the parties ended with a letter from Pearl to Harris Calorific dated September 16, 1963. In October, 1964, Bonsteel wrote Pearl that there appeared to be nothing further required in the matter and submitted his statement for services. Pearl paid the statement and in his transmittal letter advised that he had heard nothing from Harris Calorific in over a year and considered the matter closed.

In April, 1966, another partner of the Smathers firm, a Mr. Yancey, was reached by a New York trademark law firm about the possibility of representing Union Carbide in a trademark infringement suit against Uniweld. At that time Pearl was not named to Mr. Yancey as a defendant in the suit, and upon a search of the client index files of the Smathers firm, there was no record of there having been a representation of any company named Uniweld, Inc., it appearing that the index had not been changed to show the change of name from Universal Cutting & Welding Equipment Corporation to the present name. Yancey accepted the representation of Union Carbide.

Several months later the New York firm again got in touch with Yancey and advised him that it had been determined to make Pearl and another officer of Uniweld joint defendants in the case. Yancey obtained their addresses to be included in the complaint, but did not again check the client index files.

When, on August 3rd, process was served upon the defendants, Pearl immediately got in touch with Bonsteel. Then it immediately became apparent that Bonsteel's own firm appeared as counsel for the plaintiff. It is undisputed that following a firm conference between Bonsteel and

Yancey, discussions followed with the New York firm with a view toward withdrawing from the case. In the meantime, the defendant's patent attorney, a Mr. Glass, of Virginia, was contacted by Pearl and he in turn immediately got in touch with Bonsteel and demanded that the Smathers firm give up its representation of Union Carbide in the case. When Bonsteel and Yancey made it plain that they were making inquiries that would enable them to act properly in the matter, Glass immediately filed a motion in the district court charging the Smathers firm with a violation of the Canons of Ethics, and requesting that the court disqualify the firm from representing Union Carbide.

After a hearing was held on the motion, the district court denied the requested relief. Then, on motion for rehearing, the district court adhered to its prior denial. These are the orders that are on appeal here.

First, we conclude that this is an appealable order, in light of the decision of this court in *Tomlinson* v. *Florida Iron & Metal, Inc.*, 5 Cir. (1961), 291 F. 2d 333.

Elaborating somewhat upon the standards stated by the trial court in determining such a case as this, we are satisfied that the question before the trial court was whether the Miami law firm was ethically free to undertake the representation of Union Carbide here, if the issues involved in the present suit are not similar to any which they had previously litigated on behalf of Uniweld, and if no confidences had been reposed in the course of the entire representation having any possible bearing on the issues in the present suit.

It is perfectly plain that the previous representations had, to all practical purposes, completely terminated, as was found by the trial court. This appears to have been fully recognized by all parties to the then pending matters. Although the appellants contend that in this alleged trademark infringement and unfair competition suit, there may

be some similar questions that arose in the patent infringement case, they completely failed to show similarity. Also, while they charge that the law firm may have obtained information in prior representation that could be utilized in the present litigation, there was also an utter lack of any proof of any such knowledge or information.

The issues before the trial court were essentially issues of fact. We can not determine that the trial court's resolution of these issues was clearly erroneous.

The judgment is AFFIRMED.